

Message Text

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TAGS: EFIN, OECD, EINV, ENRG

SUBJECT: PAPERS FOR IEA AD HOC GROUP ON FINANCIAL AND

INVESTMENT ISSUES (FII): PART III(B) (PAPER ON

"DEVELOPING COUNTRIES: MECHANISMS TO COMBINE

THE CAPITAL OF THE OIL PRODUCERS AND THE

TECHNOLOGY OF THE INDUSTRIALISED COUNTRIES IN

PROVIDING AID (TECHNICAL AND CAPITAL))

REFS: (A) OECD PARIS 5996

(B) OECD PARIS 5872

(C) STATE 55605

1. THIS CABLE TRANSMITS THE FOLLOWING PAPER WRITTEN BY
FRG ENTITLED, "DEVELOPING COUNTRIES; MECHANISMS TO COM-
BINE THE CAPITAL OF THE OIL PRODUCERS AND THE TECHNOLOGY
OF THE INDUSTRIALISED COUNTRIES IN PROVIDING AID
(TECHNICAL AND CAPITAL)," WHICH CORRESPONDS TO ITEM
III(B) OF THE TABLE CONTAINED IN DOCUMENT IEA/SPC(75)7
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SECOND REVISION, IN ACCORDANCE WITH ASSIGNMENT OF

RESPONSIBILITIES MADE AT LAST IEA GOVERNING BOARD AND
OF AD HOC GROUP ON FINANCIAL AND INVESTMENT ISSUES ON
MARCH 6 (REFTELA).

BEGIN TEXT

III(B) DEVELOPING COUNTRIES; MECHANISMS TO COMBINE
THE CAPITAL OF THE OIL PRODUCERS AND THE TECHNO-
LOGY OF THE INDUSTRIALISED COUNTRIES IN PROVID-
ING AID (TECHNICAL AND CAPITAL)

WHEN THE OIL-PRODUCING COUNTRIES STARTED RAISING THE OIL-
PRICE AT THE END OF 1973 THIS POLICY HAD CONSIDERABLE
IMPACT ON THE BALANCE OF PAYMENTS OF ALL COUNTRIES
INVOLVED:

A) ON THE PART OF THE PRODUCER COUNTRIES BALANCE OF
TRADE SURPLUSES OCCURRED AND CAUSED IN MOST CASES
THE NEED FOR CAPITAL EXPORT

B) THE NON-OIL-PRODUCING DEVELOPING COUNTRIES, IN
GENERAL ALREADY SUFFERING FROM STRUCTURAL
IMBALANCES IN THE FIELD OF FOREIGN TRADE, WERE
STRUCK BY INCREASING EXPENSES FOR THEIR IMPORTS
OF ENERGY, FERTILIZERS AND FOOD

C) MOST OF THE INDUSTRIALISED COUNTRIES HAVE ALSO
HAD TO FACE SEVERE DIFFICULTIES AS TO THEIR
BALANCE OF PAYMENTS SINCE THE RISE OF THE OIL-
PRICE TOOK PLACE AT THE SAME TIME WHEN INTERNA-
TIONAL TRADE HAS BEEN AFFECTED BY A GENERAL
ECONOMIC DOWN-SWING.

IN ORDER TO COPE WITH THESE PROBLEMS, SUGGESTIONS HAVE
BEEN MADE TO HARMONISE INTERNATIONAL ECONOMIC RELATIONS
AGAIN. BEARING IN MIND THAT THE DEMAND FOR CAPITAL IN
THE DEVELOPING COUNTRIES IS INCREASING, THAT THE
INDUSTRIALISED COUNTRIES ARE NOT IN A POSITION TO
INCREASE THEIR ASSISTANCE ACCORDINGLY AND THAT THE PRO-
DUCER COUNTRIES ARE LOOKING FOR SOUND OPPORTUNITIES TO
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INVEST THEIR SURPLUSES, IT IS FELT THAT COOPERATION
AMONG THESE THREE PARTIES MIGHT HELP TO MITIGATE THE
ISSUE. SOME ACTIONS HAVE ALREADY BEEN TAKEN OR ARE
UNDER DISCUSSION IN WHICH THE OPEC COUNTRIES ARE EXPECTED
TO PARTICIPATE:

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SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 L-02 OES-03

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- A) THE UNITED NATIONS EMERGENCY OPERATION (FOR THE MSAC)
- B) THE IMF OIL-FACILITY
- C) WORLD BANK "THIRD WINDOW"
- D) SPECIAL FUNDS OF THE UN AND IMF/WORLD BANK
- E) IMPROVED ACCESS TO CAPITAL MARKETS

IN GENERAL, HOWEVER, REACTION ON THE PART OF THE PRODUCER-COUNTRIES HAS BEEN RELUCTANT UP TO NOW. THEY HAVE NOT SHOWN ANY CONSIDERABLE WILLINGNESS TO COOPERATE WITH THE INDUSTRIALISED COUNTRIES IN THE DEVELOPING COUNTRIES THROUGH BOTH THE MULTILATERAL AND THE BILATERAL CHANNELS. THEIR ASSISTANCE (ODA COMMITMENTS) IN 1974, AMOUNTING TO SOME 10 BILLION U.S. DOLLARS, WAS CONFINED TO BILATERAL ARRANGEMENTS OR CONTRIBUTIONS TO ARAB FUNDS. ONLY ABOUT 50 MILLION U.S. DOLLARS HAVE BEEN PLEDGED TO UN SUB-ORGANISATIONS. THERE ARE NO INDICATIONS THAT THIS ATTITUDE IS CHANGING.

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TAKING INTO ACCOUNT THAT THE OIL-PRODUCING COUNTRIES HAVE PLACED THEIR EXCESS FUNDS PREPONDERANTLY IN THE MAJOR OECD MEMBER COUNTRIES, IT MAY BE ASSUMED THAT THEY DEEM SECURITY AND PROFITABILITY FOR THEIR INVESTMENTS AS INDISPENSABLE. THESE TWO CRITERIA SHOULD GOVERN ALL ACTIONS TAKEN TO CONVERT DIRECT RECYCLING OF BALANCE OF TRADE SURPLUSES INTO AN INDIRECT ONE. IN THIS RESPECT IFA MEMBERS SHOULD OFFER COOPERATION IN TWO FIELDS:

A) DEVELOPMENT ASSISTANCE

THE DECISIVE BOTTLENECK ON THE PART OF THE OIL-PRODUCING COUNTRIES HAS BEEN DETECTED IN THE FIELD OF DECISION-MAKING. EXPERIENCED STAFF IS LACKING. THE IDENTIFICATION OF PROJECTS, THEIR APPRAISAL AND IMPLEMENTATION REQUIRE APPROPRIATE CAPACITIES. IN THIS CONTEXT, INTERNATIONAL AND NATIONAL INSTITUTIONS COULD FILL THE GAP AS LONG AS INDIGENOUS STAFF IS BEING TRAINED. THEY REPRESENT A HUGE AND EXPERIENCED POTENTIAL THAT THE OIL-PRODUCING COUNTRIES SHOULD MAKE USE OF IN ORDER TO FACILITATE THEIR RESPECTIVE ACTIVITIES IN OTHER DEVELOPING COUNTRIES.

B) TRADE AND INVESTMENT

AS TO DEVELOPMENT POLICY IN GENERAL, HOWEVER, IT HAS BECOME EVIDENT THAT PRIORITIES IN THE OIL-PRODUCING COUNTRIES ARE NOT NECESSARILY IDENTICAL WITH THOSE IN THE INDUSTRIALISED COUNTRIES. IT IS FELT, THEREFORE, THAT A SUPPLEMENTARY EFFORT SHOULD BE MADE TO STREAMLINE ECONOMIC CONTACTS IN THE FIELD OF TRADE AND INVESTMENT.

A LIBERAL TRADE POLICY AND A SOUND INVESTMENT POLICY IN ALL REGIONS WOULD BE HELPFUL TO ACHIEVE THIS GOAL. THE INDUSTRIALISED COUNTRIES ARE IN A POSITION TO SUPPORT SUCH EFFORTS. THE POSSIBILITY OF FOUNDING JOINT-VENTURES IN DEVELOPING COUNTRIES, PRIMARILY IN THE MSAC, SHOULD BE SCRUTINIZED, AIMING AT THE MOBILISATION OF THE HUGE ECONOMIC POTENTIAL ARISING FROM THE COMBINATION OF THE CAPITAL FROM THE PRODUCER COUNTRIES AND THE TECHNICAL KNOW-HOW CONTRIBUTED BY THE INDUSTRIALISED COUNTRIES.

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LINES TO TAKE:

THIS SUBJECT SHOULD BE INCLUDED IN THE AGENDA BE-

CAUSE IT IS OF BASIC INTEREST TO ALL IEA MEMBERS. ITS
INCLUSION ON THE AGENDA MIGHT BE MADE THE SUBJECT OF
NEGOTIATION. IN THE EVENT THAT THE PRODUCER COUNTRIES
AGREE TO THIS CONCEPT, ITS SIGNIFICANCE CAN BE DESCRIBED
BY THE FOLLOWING ITEMS:

- A) CAPITAL ASSISTANCE REQUIREMENTS IN THE DEVELOPING
COUNTRIES COULD BE MET TO A HIGH EXTENT
- B) PRESSURE ON INTERNATIONAL MONEY AND CAPITAL MARKETS,
CAUSED BY THE BALANCE OF TRADE SURPLUSES IN THE PRO-
DUCER COUNTRIES, COULD BE REDUCED
- C) IFA MEMBER COUNTRIES COULD IN SOME CASES COMPENSATE
THEIR BALANCE OF TRADE DEFICITS BY ADDITIONAL
EXPORTS OF GOODS AND SERVICES
- D) THE SCHEME AS A WHOLE AIMS AT REDUCING THE PRESENT
TENSIONS BETWEEN THE INDUSTRIALISED COUNTRIES AND
THE THIRD WORLD.

END TEXT

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